

# Anchorage Independent School District FY

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**

**ANNUAL REPORT**

**JUNE 30, 2018**

**Amick  
& Company**

A Professional Service Corporation

CPAs / Consultants



Chestnut Centre  
410 West Chestnut Street STE. 237  
Louisville, KY 40202-2342

(502) 583-5381  
(800) 456-7531  
FAX (502) 582-2516

## INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits  
Members of the Board of Education of  
Anchorage Independent School District

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anchorage Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I of the Independent Auditor's Contract - General Requirements*, *Appendix II of the Independent Auditor's Contract - State Audit Requirements*, and *Appendix III of the Independent Auditor's Contract - Electronic Submission*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

State Committee for School District Audits  
Members of the Board of Education of  
Anchorage Independent School District

**Auditor's Responsibility (continued)**

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Anchorage Independent School District as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter (Revised July 25, 2019)**

As discussed in Note 7 to the financial statements, effective July 1, 2017, the entity adopted new accounting guidance GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 8 through 11 and pages 53 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board,

State Committee for School District Audits  
Members of the Board of Education of  
Anchorage Independent School District

Other Matters (continued)

Required Supplementary Information (continued)

who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express any opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements and additional information are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and additional information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

State Committee for School District Audits  
Members of the Board of Education of  
Anchorage Independent School District

### Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2018, on our consideration of the Anchorage Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and in considering Anchorage Independent School District's internal control over financial reporting and compliance. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements.

*Amick & Company*

Louisville, Kentucky  
October 30, 2018

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT  
ANCHORAGE, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)  
YEAR ENDED JUNE 30, 2018**

As management of the Anchorage Independent School District “the District”, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- λ The beginning cash balance for all funds of the District was \$3,504,367 and the ending balance was \$3,974,445, an increase of \$470,078.
- λ The General Fund had \$7,724,918 in revenue, which primarily consisted of property tax, motor vehicle, occupational license taxes and SEEK (State Funding). Excluding inter-fund transfer, there were \$7,432,688 in General Fund expenditures. This includes on-behalf payments.
- λ The district will be debt free in FY 2018-2019 after making its final bond payment of \$10,719.
- λ The District remains committed to considering teacher salaries as an important part of the overall budget. The pay increase for FY 2017-2018 was 1.5% for all staff.
- λ The District continues to be dedicated to maintaining its historic facility. This year we:
  - Installed landscaping
  - Installed new sewage pumps and panel
  - Roofing repairs
  - Replaced two HVAC split systems
  - Removed asbestos in three areas
  - Rerouted downspouts and repaired foundation leak issues
  - Tiled primary computer lab
- λ The District purchased Chromebooks for all middle school students and new classroom projection cameras to replace Elmo’s.
- λ Our generous APTA finished construction on an amazing outdoor classroom, which is located between the school and the District Administration building. They also started a soccer field upgrade which will contain an upgraded sidewalk, access to indoor restrooms from the soccer field with a new storage area and a new score board.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED**

The District-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (government activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The District-wide financial statements can be found on pages 12 and 13.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our day care program and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 14 and 16.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23 through 51.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,670,197 as of June 30, 2018.

A portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, technology and general equipment), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



ANCHORAGE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition of capital assets, and the depreciation of capital assets.

	<u>For the year ended June 30</u>	
	<u>2018</u>	<u>2017</u>
Current Assets	\$ 4,092,145	\$ 3,651,368
Non-current Assets	4,609,936	4,705,840
Deferred outflow of resources	<u>751,746</u>	<u>250,083</u>
Total Assets	\$ <u>9,453,827</u>	\$ <u>8,607,291</u>
Current Liabilities	\$ 388,758	\$ 574,475
Non-current Liabilities	3,019,250	1,867,586
Deferred inflow of resources	<u>375,622</u>	<u>66,467</u>
Total Liabilities	<u>3,783,630</u>	<u>2,508,528</u>
Net Position		
Investment in capital assets (net of debt)	4,444,555	4,312,647
Restricted – Nonexpendable	(218,427)	(119,436)
Unreserved Fund Balance	<u>1,444,069</u>	<u>1,905,552</u>
Total Net Position	<u>5,670,197</u>	<u>6,098,763</u>
Total Liabilities and Net Position	\$ <u>9,453,827</u>	\$ <u>8,607,291</u>

Comments on Budget Comparisons

- λ The District's total General Fund revenues for the fiscal year ended June 30, 2018, net of on-behalf payments were \$5,999,064.
- λ General fund budget compared to actual revenue (net of on-behalf payments) varied from line item to line item with the ending actual balance being \$ 145,070 more than budgeted.
- λ General fund budget expenditures to actual expenditures (net of on-behalf payments) varied from line item to line item with the actual balance being \$ 3,361,318 less than budgeted.
- λ Revenues exceeded expenditures with the actual balance being \$ 293,273 for a favorable result.

The following table presents a summary of General Fund revenue and expense.

	<u>For the year ended June 30</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Local revenue sources	\$ 5,311,358	\$ 5,141,089
State revenue sources	2,357,254	1,801,061
Earnings on investments	<u>56,306</u>	<u>21,869</u>
Total Revenues	\$ <u>7,724,918</u>	\$ <u>6,964,019</u>

ANCHORAGE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED

	<u>2018</u>	<u>2017</u>
Expenses:		
Instruction	\$ 3,775,960	\$ 3,331,967
Student support services	181,058	163,504
Instructional support	971,204	890,812
District administration	445,952	438,220
School administration	443,372	395,455
Business support	719,146	718,991
Plant operations	895,996	1,013,392
Transfers	<u>1,493</u>	<u>-0-</u>
Total Expenses	\$ <u>7,434,181</u>	\$ <u>6,952,341</u>
Revenue in Excess of Expenditures	\$ <u>293,273</u>	\$ <u>11,678</u>

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1 – June 30; other programs, i.e. some federal programs, may operate on a different fiscal calendar, but are reflected in the district's overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$503,487 in contingency. The beginning cash balance for the next fiscal year is \$ 3,974,445.

Many of the program grants are continuation programs that we have become reliant on to service our students. However, decreases in grants and state funding along with the added burden of health insurance costs and matching retirement for employees have significantly reduced the dollars available for teacher salaries and other program support.

Questions regarding this report should be directed to Kelley Ransdell, Superintendent, [Kelley.Ransdell@Anchorage.kyschools.us](mailto:Kelley.Ransdell@Anchorage.kyschools.us) or to Jonathan Travis, Finance Officer, [Jon.Travis@Anchorage.kyschools.us](mailto:Jon.Travis@Anchorage.kyschools.us) or by phone at 502-245-8927 or by mail at 11400 Ridge Road, Anchorage, KY 40223.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position**

**June 30, 2018**

	GOVERNMENTAL ACTIVITIES	BUSINESS - TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 3,935,257	\$ 39,188	\$ 3,974,445
Accounts receivable			
Taxes - current	104,948	-	104,948
Taxes - prior years	-	-	-
Other	1,943	7,748	9,691
Inventories	<u>-</u>	<u>3,061</u>	<u>3,061</u>
Total Current Assets	<u>4,042,148</u>	<u>49,997</u>	<u>4,092,145</u>
<b>CAPITAL ASSETS</b>			
Capital assets	10,027,988	85,639	10,113,627
Less accumulated depreciation	<u>(5,447,703)</u>	<u>(55,988)</u>	<u>(5,503,691)</u>
Total Capital Assets	<u>4,580,285</u>	<u>29,651</u>	<u>4,609,936</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 8,622,433</b></u>	<u><b>\$ 79,648</b></u>	<u><b>\$ 8,702,081</b></u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows of resources - CERS	\$ 516,448	\$ 67,505	\$ 583,953
Deferred outflows of resources - OPEB	147,596	17,062	164,658
Debt refunding costs, net	<u>3,135</u>	<u>-</u>	<u>3,135</u>
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<u><b>\$ 667,179</b></u>	<u><b>\$ 84,567</b></u>	<u><b>\$ 751,746</b></u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 371,881	\$ 495	\$ 372,376
Current portion of bonds payable	16,382	-	16,382
Current portion of accrued sick leave	<u>-</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>388,263</u>	<u>495</u>	<u>388,758</u>
<b>NONCURRENT LIABILITIES</b>			
Bonds payable	149,000	-	149,000
Noncurrent portion of accrued sick leave	138,563	-	138,563
Net pension liability - CERS	1,746,658	228,306	1,974,964
Net OPEB liability	<u>678,310</u>	<u>78,413</u>	<u>756,723</u>
Total Noncurrent Liabilities	<u>2,712,531</u>	<u>306,719</u>	<u>3,019,250</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$ 3,100,794</b></u>	<u><b>\$ 307,214</b></u>	<u><b>\$ 3,408,008</b></u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows of resources - CERS	\$ 181,847	\$ 23,769	\$ 205,616
Deferred inflows of resources - OPEB	35,515	4,106	39,621
Deferred property tax revenue	75,829	-	75,829
Deferred grant revenue	<u>54,556</u>	<u>-</u>	<u>54,556</u>
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<u><b>\$ 347,747</b></u>	<u><b>\$ 27,875</b></u>	<u><b>\$ 375,622</b></u>
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	\$ 4,418,038	\$ 29,651	\$ 4,447,689
Unrestricted	<u>1,423,033</u>	<u>(200,525)</u>	<u>1,222,508</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ 5,841,071</b></u>	<u><b>\$ (170,874)</b></u>	<u><b>\$ 5,670,197</b></u>

Revised July 25, 2019

The accompanying notes are an integral part of these financial statements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Statement of Activities**  
**District Wide**  
**For the year ended June 30, 2018**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
Instruction	\$ 4,195,074	\$ 17,258	\$ 230,248	\$ -	\$ (3,947,568)	\$ -	\$ (3,947,568)
Support Services:							
Student	181,058	88,279	-	-	(92,779)	-	(92,779)
Instruction staff	979,304	-	-	-	(979,304)	-	(979,304)
District Administrative	445,952	-	-	-	(445,952)	-	(445,952)
School Administrative	443,372	-	-	-	(443,372)	-	(443,372)
Business	719,146	-	-	-	(719,146)	-	(719,146)
Plant operation and maintenance	758,449	-	-	-	(758,449)	-	(758,449)
Interest on long-term debt	12,958	-	5,968	-	(6,990)	-	(6,990)
Depreciation and amortization	282,615	-	-	-	(282,615)	-	(282,615)
<b>Total Governmental Activities</b>	<b>8,017,928</b>	<b>105,537</b>	<b>236,216</b>	<b>-</b>	<b>(7,676,175)</b>	<b>-</b>	<b>(7,676,175)</b>
<b>Business-type Activities</b>							
Food service	291,161	208,382	18,375	-	-	(64,404)	(64,404)
Day care	2,372	5,875	-	-	-	3,503	3,503
<b>Total Business-type Activities</b>	<b>293,533</b>	<b>214,257</b>	<b>18,375</b>	<b>-</b>	<b>-</b>	<b>(60,901)</b>	<b>(60,901)</b>
<b>Total School District</b>	<b>\$ 8,311,461</b>	<b>\$ 319,794</b>	<b>\$ 254,591</b>	<b>\$ -</b>	<b>\$ (7,676,175)</b>	<b>\$ (60,901)</b>	<b>\$ (7,737,076)</b>
<b>General Revenues</b>							
Property taxes					\$ 4,229,256	\$ -	\$ 4,229,256
Delinquent property tax					159,404	-	159,404
Motor vehicle taxes					245,348	-	245,348
Occupational taxes					733,854	-	733,854
Investment earnings					56,559	482	57,041
State and formula grants					2,392,269	50,044	2,442,313
Miscellaneous					33,353	-	33,353
Loss on sale of assets					-	-	-
Transfers					1,493	-	1,493
<b>Total General Revenues and Transfers</b>					<b>7,851,536</b>	<b>50,526</b>	<b>7,902,062</b>
Change in Net Position					175,361	(10,375)	164,986
Net Position - Beginning					6,197,756	(98,994)	6,098,762
Prior year adjustment					(532,046)	(61,505)	(593,551)
Net Position - Ending					<b>\$ 5,841,071</b>	<b>\$ (170,874)</b>	<b>\$ 5,670,197</b>

The accompanying notes are an integral part of these financial statements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	GENERAL FUND	SPECIAL REVENUE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS AND RESOURCES</b>				
Cash and cash equivalents	\$ 3,868,858	\$ 66,399	\$ -	\$ 3,935,257
Accounts receivable				
Taxes - current	104,948	-	-	104,948
Intergovernmental - State	-	-	-	-
Intergovernmental - Federal	-	1,943	-	1,943
Other	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 3,973,806</u></b>	<b><u>\$ 68,342</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,042,148</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$ 358,096	\$ 13,785	\$ -	\$ 371,881
Deferred revenue	<u>75,829</u>	<u>54,557</u>	<u>-</u>	<u>130,386</u>
Total Liabilities	<u>433,925</u>	<u>68,342</u>	<u>-</u>	<u>502,267</u>
<b>FUND BALANCES</b>				
Unassigned	<u>3,539,881</u>	<u>-</u>	<u>-</u>	<u>3,539,881</u>
Total Fund Balances	<u>3,539,881</u>	<u>-</u>	<u>-</u>	<u>3,539,881</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,973,806</u></b>	<b><u>\$ 68,342</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,042,148</u></b>

The accompanying notes are an integral part of these financial statements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2018**

Total fund balance per fund financial statements	\$	3,539,881
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net position

Total cost of capital assets	10,027,990	
Accumulated depreciation	<u>(5,447,704)</u>	4,580,286

Certain other assets are not reported in this fund financial statement because they are not available to pay current period expenditures, but are reported in the statement of net position.

Bond Issuance costs		3,135
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Governmental funds do not record deferred outflows of resources for pension and OPEB contribution after the measurement date but those are reported on the statement of net position as deferred outflows of resources

Pension	516,448	
OPEB	<u>147,596</u>	664,044

Certain liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position

Bonds payable	(165,382)	
Long term portion of accrued sick leave	(138,563)	
Net pension liability - CERS	(1,746,658)	
Net OPEB liability	<u>(678,310)</u>	(2,728,913)

Governmental funds do not record deferred inflows of resources for pension and OPEB contribution after the measurement date but those are reported on the statement of net position as deferred inflows of resources

Pension	(181,847)	
OPEB	<u>(35,515)</u>	<u>(217,362)</u>

Net position for governmental activities	\$	<u>5,841,071</u>
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The accompanying notes are an integral part of these financial statements.

# ANCHORAGE INDEPENDENT SCHOOL DISTRICT

## Statement of Revenues, Expenditures And Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2018

	GENERAL <u>FUND</u>	SPECIAL REVENUE <u>FUNDS</u>	OTHER GOVERNMENTAL <u>FUNDS</u>	TOTAL GOVERNMENTAL <u>FUNDS</u>
<b>REVENUES</b>				
From local sources:				
Taxes:				
Property	\$ 4,193,382	\$ -	\$ 195,278	\$ 4,388,660
Motor Vehicles	245,348	-	-	245,348
Occupational	733,854	-	-	733,854
Tuition and fees	17,258	-	-	17,258
Earnings on investments	56,306	253	-	56,559
Student activities	88,163	116	-	88,279
Other local revenues	33,353	53,875	-	87,228
Intergovernmental - State	2,357,254	63,447	35,015	2,455,716
Intergovernmental - Indirect Federal	-	112,926	-	112,926
<b>TOTAL REVENUES</b>	<u>7,724,918</u>	<u>230,617</u>	<u>230,293</u>	<u>8,185,828</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	3,775,960	222,517	-	3,998,477
Support Services				
Student	181,058	-	-	181,058
Instructional staff	971,204	8,100	-	979,304
District administration	445,952	-	-	445,952
School administration	443,372	-	-	443,372
Business	719,146	-	-	719,146
Plant operations and maintenance	895,996	-	-	895,996
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	228,800	228,800
Other	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>7,432,688</u>	<u>230,617</u>	<u>228,800</u>	<u>7,892,105</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>292,230</u>	<u>-</u>	<u>1,493</u>	<u>293,723</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	1,493	-	228,800	230,293
Operating transfers out	-	-	(230,293)	(230,293)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>1,493</u>	<u>-</u>	<u>(1,493)</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE ON STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS</b>	293,723	-	-	293,723
<b>FUND BALANCE JULY 1, 2017</b>	<u>3,246,158</u>	<u>-</u>	<u>-</u>	<u>3,246,158</u>
<b>FUND BALANCE JUNE 30, 2018</b>	<u>\$ 3,539,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,539,881</u>

The accompanying notes are an integral part of these financial statements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**June 30, 2018**

Net change in total fund balances per fund financial statements	\$ 293,723
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which capital outlays exceeds depreciation expense for the year.	
Capital outlay	154,850
Depreciation expense	(272,314)
Bond amortization expense	<u>(2,939)</u> (120,403)
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net position.	
Principal on bond payments	221,811
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and / or capitalized and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,362)
The difference between actuarial pension contributions to CERS and actual contributions made are recorded as adjustments in the statement of activities.	(182,177)
The difference between actuarial OPEB contributions and actual contributions made are recorded as adjustments in the statement of activities.	<u>(30,231)</u>
Change in net position of governmental activities	<u>\$ 175,361</u>

The accompanying notes are an integral part of these financial statements.



**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	Food Service <u>Fund</u>	Summer <u>Programs</u>	Total Proprietary <u>Funds</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 21,056	\$ 18,132	\$ 39,188
Student fees receivable	7,748	-	7,748
Inventories	<u>3,061</u>	<u>-</u>	<u>3,061</u>
Total current assets	<u>31,865</u>	<u>18,132</u>	<u>49,997</u>
<b>Noncurrent Assets</b>			
Capital assets	85,639	-	85,639
Less: Accumulated depreciation	<u>(55,988)</u>	<u>-</u>	<u>(55,988)</u>
Total noncurrent assets	<u>29,651</u>	<u>-</u>	<u>29,651</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources - CERS	67,505	-	67,505
Deferred outflows of resources - OPEB	<u>17,062</u>	<u>-</u>	<u>17,062</u>
Total noncurrent assets	<u>84,567</u>	<u>-</u>	<u>84,567</u>
Total assets	<u>\$ 146,083</u>	<u>\$ 18,132</u>	<u>\$ 164,215</u>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 265	\$ 230	\$ 495
Net pension liability - CERS	228,306	-	228,306
Net OPEB liability	<u>78,413</u>	<u>-</u>	<u>78,413</u>
Total liabilities	<u>\$ 306,984</u>	<u>\$ 230</u>	<u>\$ 307,214</u>
<b>Deferred Inflow of Resources</b>			
Deferred inflows of resources - CERS	\$ 23,769	\$ -	\$ 23,769
Deferred inflows of resources - OPEB	<u>4,106</u>	<u>-</u>	<u>4,106</u>
Total current liabilities	<u>\$ 27,875</u>	<u>\$ -</u>	<u>\$ 27,875</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ 29,651	\$ -	\$ 29,651
Unrestricted	<u>(218,427)</u>	<u>17,902</u>	<u>(200,525)</u>
Total net position	<u>\$ (188,776)</u>	<u>\$ 17,902</u>	<u>\$ (170,874)</u>

Revised July 25, 2019

The accompanying notes are an integral part of these financial statements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Food Service <u>Fund</u>	Summer <u>Programs</u>	Total Proprietary <u>Funds</u>
<b>Operating Revenues</b>			
Food service sales	\$ 208,382	\$ -	\$ 208,382
Other operating revenues	<u>-</u>	<u>5,875</u>	<u>5,875</u>
Total operating revenues	<u>208,382</u>	<u>5,875</u>	<u>214,257</u>
<b>Operating Expenses</b>			
Salaries and wages	195,957	1,306	197,263
Professional and contract services	8,064	980	9,044
Supplies and materials	83,630	86	83,716
Depreciation	3,035	-	3,035
Other operating expenses	<u>475</u>	<u>-</u>	<u>475</u>
Total operating expenses	<u>291,161</u>	<u>2,372</u>	<u>293,533</u>
<b>Operating income (loss)</b>	<u>(82,779)</u>	<u>3,503</u>	<u>(79,276)</u>
<b>Nonoperating revenues (expenses)</b>			
Federal grants	16,910	-	16,910
State grants	1,465	-	1,465
State on-behalf payments	40,372	-	40,372
Donated commodities	9,672	-	9,672
Interest income	<u>482</u>	<u>-</u>	<u>482</u>
Total nonoperating revenues (expenses)	<u>68,901</u>	<u>-</u>	<u>68,901</u>
<b>Net income (loss)</b>	<u>(13,878)</u>	<u>3,503</u>	<u>(10,375)</u>
<b>Total net position, July 1, 2017</b>	(113,393)	14,399	(98,994)
Prior year adjustments	<u>(61,505)</u>	<u>-</u>	<u>(61,505)</u>
<b>Total net position, June 30, 2018</b>	<u>\$ (188,776)</u>	<u>\$ 17,902</u>	<u>\$ (170,874)</u>

The accompanying notes are an integral part of these financial statements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Food Service <u>Fund</u>	Summer Programs <u>Programs</u>	Total Proprietary <u>Funds</u>
<b>Cash Flows from Operating Activities</b>			
Cash received from lunchroom sales	\$ 210,724	\$ -	\$ 210,724
Cash received from government grants	18,375	-	18,375
Cash received from other activities	-	5,875	5,875
Cash payments to employees for services	(120,936)	(1,306)	(122,242)
Cash payments to suppliers for goods and services	(81,944)	(1,167)	(83,111)
Cash payments for other operating activities	(475)	-	(475)
Net cash from operating activities	<u>25,744</u>	<u>3,402</u>	<u>29,146</u>
<b>Cash Flows from Capital Financing Activities</b>			
Capital contributions	-	-	-
Acquisition of capital assets	(26,643)	-	(26,643)
Net cash from capital financing activities	<u>(26,643)</u>	<u>-</u>	<u>(26,643)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in (out) to other funds	-	-	-
Net cash from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	482	-	482
Net cash flows from investing activities	<u>482</u>	<u>-</u>	<u>482</u>
Net increase (decrease) in cash and cash equivalents	(417)	3,402	2,985
Cash and cash equivalents - beginning	21,473	14,730	36,203
Cash and cash equivalents - ending	<u>\$ 21,056</u>	<u>\$ 18,132</u>	<u>\$ 39,188</u>
<b>Reconciliation of Net Income (Loss) to Net Cash</b>			
Provided (Used) by Operating Activities			
Net income (loss)	\$ (13,878)	\$ 3,502	\$ (10,376)
<b>Adjustments to Reconcile Operating Income (Loss) to</b>			
<b>Net Cash Provided (Used) by Operating Activities</b>			
Depreciation	3,035	-	3,035
Interest	(482)	-	(482)
Changes in assets and liabilities:			
Accounts receivable	2,342	-	2,342
Inventory	363	-	363
Accounts payable	(283)	(100)	(383)
Net pension adjustment	34,647	-	34,647
Net Cash Provided by Operating Activities	<u>\$ 25,744</u>	<u>\$ 3,402</u>	<u>\$ 29,146</u>
<b>Non-Cash Activities</b>			
Donated commodities received from federal government	<u>\$ 9,672</u>		
State on-behalf payments	<u>\$ 40,372</u>		
CERS Pensions	<u>\$ 30,697</u>		
CERS OPEB	<u>\$ 3,952</u>		

Revised July 25, 2019

The accompanying notes are an integral part of these financial statements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash	\$ 41,952	\$ 60,154
Accounts receivable	<u>-</u>	<u>-</u>
 Total Assets	 <u>\$ 41,952</u>	 <u>\$ 60,154</u>
 <b>LIABILITIES</b>		
Due to student groups	\$ -	\$ 60,154
 Total Liabilities	 <u>\$ -</u>	 <u>\$ 60,154</u>
 <b>NET POSITION</b>		
Held in trust for other purposes	\$ 41,952	
 Total Net Position	 <u>\$ 41,952</u>	

The accompanying notes are an integral part of these financial statements.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT  
Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2018

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Other local revenues	\$ 2,531
Earnings on investments	<u>534</u>
TOTAL ADDITIONS	<u>3,065</u>
DEDUCTIONS	
Supplies	<u>7,047</u>
TOTAL DEDUCTIONS	<u>7,047</u>
CHANGE IN NET POSITION	(3,982)
NET POSITION, JULY 1, 2017	<u>45,934</u>
NET POSITION, JUNE 30, 2018	<u>\$ 41,952</u>

The accompanying notes are an integral part of these financial statements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Anchorage Independent School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The Anchorage Independent School District Board, a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Anchorage Independent School District (District). The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools in the district. The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

**B. Related Organizations**

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Anchorage Independent School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Related Organizations (Continued)**

**Anchorage Independent School District Finance Corporation** - The Anchorage, Kentucky, Board of Education resolved to authorize the establishment of the Anchorage Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) as an agency of the Board for financing the costs of school building facilities. The Board Members of the Anchorage Independent School District also comprise the Corporation's Board of Directors.

**C. Basis of Presentation, Basis of Accounting**

**i. Basis of Presentation**

**Government-wide Statements:** The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation, Basis of Accounting (Continued)**

**i. Basis of Presentation (Continued)**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds.

The Construction Fund including Capital Projects Funds accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.

The District reports the following major business-type funds:

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U. S. Department of Agriculture ("USDA"). In-kind contributions of commodities from the USDA have been recorded in the Statement of Activities – Proprietary Fund in the amount of \$9, 672.



**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation, Basis of Accounting (Continued)**

**i. Basis of Presentation (Continued)**

In addition, the District reports the following fund types:

**Trust and Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**Private-Purpose Trust Funds:** These funds are used to report trust arrangements under which the principal and income benefit individuals, private organizations or other governments.

**ii. Measurement Focus, Basis of Accounting**

**Government-wide and Proprietary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation, Basis of Accounting (Continued)**

**ii. Measurement Focus, Basis of Accounting (Continued)**

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the district incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Encumbrance Accounting**

Purchase orders or contracts document encumbrances for goods or purchased services. Under Kentucky law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

**E. Financial Statement Amounts**

**i. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Board considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

**ii. Inventories**

Supplies and materials are charged to expenditures when purchased with the exception of the Proprietary Funds, which records inventory using the accrual basis of accounting.

**iii. Property Taxes**

Property taxes are levied each September on the assessed value listed as of the prior January 1 for all real and business personal property. Taxes are due on receipt of the tax bill; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended December 31, 2017, to finance the General Fund operations were \$.982 per \$100 valuation for real property, \$.982 per valuation for personal property and \$1.10 per \$100 valuation for motor vehicles. The assessed value upon which the levy for the 2018 fiscal year was based was \$442,599,603.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Financial Statements Amounts (Continued)**

**iv. Capital Assets**

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District maintains a capitalization threshold of five thousand dollars (\$5,000). The costs of normal repairs and maintenance that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Land Improvements	20
Buildings and improvements	25 - 50
Technology Equipment	5
General Equipment	10 - 20

The District does not possess any infrastructure.

**v. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Financial Statements Amounts (Continued)**

**vi. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business -type activities columns of the statements of net assets, except for the residual amounts due between governmental and business -type activities, which are presented as internal balances.

**F. Budgetary Process**

**Budgetary Basis of Accounting:** The District’s budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP),

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Amendments are reflected in the official minutes of the Board, and are not made after fiscal year-end as directed by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year -end.

**G. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non -Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“TRS”) and additions to/deductions from fiduciary net position have been determined

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Pensions (Continued)**

on the same basis as they are reported by these multiple -employer cost-sharing pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized by the pension systems when due and payable in accordance with the benefit terms. Investments are reported at fair value by the pension systems. Both systems publish separate financial statements as described in Note 6.

**H. Postemployment Benefits Other Than OPEBs (OPEB)**

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest -earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

**I. Fund Balances**

Governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- Nonspendable fund balance - amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact.
- Restricted fund balance - amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its decision-making authority to be reported as committed, amounts cannot be used for any other purpose unless the District takes action to remove or change the constraint. A board resolution is required to commit funds.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Fund Balances (Continued)**

- Assigned fund balance - amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Only the Board has the authority to assign amounts to be used for specific purposes. Assigned fund balance in the General Fund includes amounts that have been appropriated for expenditures in the budget for the District's subsequent fiscal year.
- Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds. Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**J. Net Position**

Net position represents the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 2. COMPLIANCE AND ACCOUNTABILITY**

**A. Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day -to-day basis during the period of contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**Cash Deposits :**

At June 30, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest -bearing savings accounts included in temporary investments) was \$4,076,551 and the bank balance was \$4,458,091. The District's cash deposits at June 30, 2018, and during the year ended June 30, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 – Cash and cash equivalents that are insured or registered or securities held by the school district or by its agent in the school district's name.

Category 2 – Cash and cash equivalents and investments that are uninsured or unregistered, with securities held by the counterpart's trust department or agent in the school district's name.

Category 3 – Cash and cash equivalents and investments that are uninsured and unregistered with securities held by the counterparty or its trust department or agent but not in the school district's name.



**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 2. COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Deposits and Investments (Continued)**

**Cash Deposits (Continued) :**

The school district's deposits and investments at June 30, 2018, are categorized as follows .

	Carrying Amount/ <u>Market Value</u>	Bank <u>Balance</u>	<u>Category</u>		
			<u>1</u>	<u>2</u>	<u>3</u>
<b>Demand Deposits:</b>					
General checking	\$ 4,076,551	\$ 4,458,091	\$ 250,000	\$ -0-	\$ 3,826,551

In order to facilitate the recording of cash transactions and to maximize earnings, the District has combined the cash resources of certain of its funds and maintains accountability for such funds' equity in the pooled cash. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, government pools, and U. S. Treasury Obligations. The District records nonparticipating interest -earning investment contracts at cost. All other securities are recorded at fair value. It is the intention of the investment pool to maximize interest income, and securities are selected according to their risk, marketability, and diversification. Income earned or losses arising from the investment of pooled cash balances are allocated to individual funds based on their proportional equity in investments purchased. For purposes of the statements of cash flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
Notes to Financial Statements (Continued)

**NOTE 3. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	Retirements <u>Reclassifications</u>	Ending <u>Balance</u>
<b>Governmental activities:</b>				
Capital assets that are not depreciated:				
Land	\$ 100	\$ -	\$ -	\$ 100
Construction in Progress	<u>211,498</u>	<u>136,992</u>	<u>(348,490)</u>	<u>-</u>
Total nondepreciable historical cost	<u>211,598</u>	<u>136,992</u>	<u>(348,490)</u>	<u>100</u>
Capital assets that are depreciated:				
Land improvements	314,537	-	-	314,537
Building and building improvements	8,735,424	348,490	-	9,083,914
Technology equipment	580,819	13,439	-	594,258
General equipment	<u>32,809</u>	<u>2,370</u>	<u>-</u>	<u>35,179</u>
Total depreciable historical cost	<u>9,663,589</u>	<u>364,299</u>	<u>-</u>	<u>10,027,888</u>
Less accumulated depreciation for:				
Land improvements	306,213	7,979	-	314,192
Building and building improvements	4,348,610	221,791	-	4,570,401
Technology equipment	489,218	42,115	-	531,333
General equipment	<u>31,349</u>	<u>428</u>	<u>-</u>	<u>31,777</u>
Total accumulated depreciation	<u>5,175,390</u>	<u>272,313</u>	<u>-</u>	<u>5,447,703</u>
Total depreciable historical cost, net	<u>4,488,199</u>	<u>91,986</u>	<u>-</u>	<u>4,580,185</u>
Governmental activities capital assets, net	<u>\$ 4,699,797</u>	<u>\$ 228,978</u>	<u>\$ (348,490)</u>	<u>\$ 4,580,285</u>
<b>Business-type activities:</b>				
General equipment	<u>\$ 58,996</u>	<u>\$ 26,643</u>	<u>\$ -</u>	<u>\$ 85,639</u>
Total depreciable historical cost	<u>58,996</u>	<u>26,643</u>	<u>-</u>	<u>85,639</u>
Less accumulated depreciation for:				
General equipment	<u>52,953</u>	<u>3,035</u>	<u>-</u>	<u>55,988</u>
Total accumulated depreciation	<u>52,953</u>	<u>3,035</u>	<u>-</u>	<u>55,988</u>
Business-type activities capital assets, net	<u>\$ 6,043</u>	<u>\$ 23,608</u>	<u>\$ -</u>	<u>\$ 29,651</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 177,417
Student support services	19,052
Instructional staff support services	13,350
District administrative support	303
School administrative support	1,916
Business support services	154
Plant operation and management	60,121
Food service operation	<u>3,035</u>
	<u>\$ 275,348</u>

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Anchorage Independent School District Finance Corporation (Corporation) aggregating \$1,742,239.

The original amount of the issue, issue dates and the interest rates of the bond issues are summarized below:

<u>ISSUE OF</u>	<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATES</u>
2008 Refunding	\$ 1,335,000	2.2 % to 3.25%
Series 2009 KISTA	\$ 246,239	1.0% to 3.0 %
Series 2017	\$ 161,000	3.5 % to 4.25%

The District, through the General Fund, (including the SEEK Capital Outlay Fund and Building Fund ) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

On December 1, 2009, the District refinanced \$241,000 of KISTA bonds. The new bond issue ( KISTA Series 2009R) is for a total of \$246,239. The difference in the amount refinanced and the amount of the bond issue is the cost of issuing the bonds.

The District has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues.

On February 20, 2017, the District accepted an offer of assistance from the Kentucky School Facilities Construction Commission and approved the execution of a participation agreement. This resulted in the issuance \$161,000 of School Building Revenue Bonds dated June 1, 2017.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2017 for debt service (principal and interest) are as follows:

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 4. BONDED DEBT AND LEASE OBLIGATIONS (Continued)**

YEAR	ANCHORAGE INDEPENDENT SCHOOL DISTRICT			SCHOOL FACILITIES CONSTRUCTION COMMISSION		TOTAL
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	COMBINED
2019	\$ 10,382	\$ 169	\$ 10,551	\$ 6,000	\$ 6,017	\$ 22,568
2020	-	-	-	6,000	5,808	11,808
2021	-	-	-	6,000	5,597	11,597
2022	-	-	-	6,000	5,387	11,387
2023 and later	<u>-</u>	<u>-</u>	<u>-</u>	<u>131,000</u>	<u>46,113</u>	<u>177,113</u>
	<u>\$ 10,382</u>	<u>\$ 169</u>	<u>\$ 10,551</u>	<u>\$ 155,000</u>	<u>\$ 68,922</u>	<u>\$ 234,473</u>

Bonded debt balances and activity for the year ended June 30, 2018, were as follows:

	BEGINNING <u>BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	ENDING <u>BALANCE</u>
Governmental Activities:				
Anchorage Independent School District	\$ 232,193	\$ -	\$ (221,811)	\$ 10,382
School Construction Commission	<u>161,000</u>	<u>-</u>	<u>(6,000)</u>	<u>155,000</u>
Total Bonded Debt	<u>\$ 393,193</u>	<u>\$ -</u>	<u>\$ (227,811)</u>	<u>\$ 165,382</u>

**NOTE 5. ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 6. RETIREMENT PLANS**

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System (CERS) covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System (TRS) covers positions requiring teaching certification or otherwise requiring a college degree.

For the year ended June 30, 2018, the District's total payroll was \$ 4,209,388. Total covered payroll was \$ 829,376 for CERS and \$ 3,335,046 for KTRS. Covered payroll refers to all compensation paid by the District to active employees covered by the Plan.

**General information about the County Employees Retirement System Non-Hazardous (CERS)**

**Plan description** - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

**Benefits provided** - The Plan provides retirement, death and disability benefits to Plan members. Retirement benefits may be extended to beneficiaries of members under certain circumstances. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

<b>Tier 1</b>	<b>Participation date</b>	<b>Before September 1, 2008</b>
	<b>Unreduced retirement</b>	<b>27 years service or 65 years old</b>
	<b>Reduced retirement</b>	<b>At least 5 years service and 55 years old</b> <b>At least 25 years service and any age</b>
<b>Tier 2</b>	<b>Participation date</b>	<b>September 1, 2008 – December 31, 2013</b>
	<b>Unreduced retirement</b>	<b>At least 5 years service and 65 years old</b> <b>Or age 57+ and sum of service years plus age equal 87</b>
	<b>Reduced Retirement</b>	<b>At least 10 years service and 60 years old</b>

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 6. RETIREMENT PLANS (continued)**

Tier 3 Participation date	After December 31, 2013
Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equals 87
Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participation employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

**Contributions** - Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

**General Information about the Teachers' Retirement System of the State of Kentucky (TRS)**

**Plan description** - Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at <https://www.trs.ky.gov/financial-reports-information>.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 6. RETIREMENT PLANS (Continued)**

**Benefits provided** - For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

1. Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
2. Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two percent (service prior to July 1, 1983) and two and one-half percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to two percent of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to two and a half percent of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from two and a half percent to three percent to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their 3 highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are 1.5% annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

**Contributions** - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 6. RETIREMENT PLANS (Continued)**

The Commonwealth of Kentucky, as a non -employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating 5 years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 1,974,964
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>28,477,858</u>
	<u>\$ 30,452,822</u>

The net pension liability for each plan was measured as of June 30, 2017, and the total pension liability used to calculate the net position liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on a projection of the District's long -term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the District's proportion was 0.03374 %.

For the year ended June 30, 2017, the District recognized pension expense of \$327,486 related to CERS and \$ 2,027,187 related to KTRS. The District also recognized revenue of \$ 2,027,187 for KTRS support provided by the Commonwealth.



**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 6. RETIREMENT PLANS (Continued)**

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Liability Experience	\$ 2,450	\$ 50,133
Assumption Changes	364,434	-
Investment Experience	156,415	131,987
Change in Proportion & Differences Between Employer Contributions & Proportionate Share of Plan Contributions	<u>60,654</u>	<u>23,496</u>
Totals	<u>\$ 583,953</u>	<u>\$ 205,616</u>

Deferred outflows of resources resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2018	154,351
2019	170,917
2020	78,384
2021	(25,360)

Actuarial assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.25%	3.00%
Projected salary	4.00%	3.50 – 7.30%
Investment rate of return net of investment expense and inflation	7.50%	7.50%

For CERS, Mortality rates were based on the RP -2000 Combined Mortality Table, projected to 2013 with Scale BB, set back one year for females.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 6. RETIREMENT PLANS (Continued)**

For KTRS, Mortality rates were based on the RP -2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale BB to 2025, set forward two years for males and one year for females.

For CERS, the long -term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long -term rate of return assumption including long -term historical data, estimates inherent in current market data, and a log -normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long -term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over as 10 -year horizon and may not be useful in setting the long -term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long -term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For KTRS, the long -term expected rate of return on pension investments was determined using a log -normal distribution analysis in which best -estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long -term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long term expected Real Rate of Return
U.S. Equity	42.0%	4.4%
International Equity	20.0%	5.3%
Fixed Income	16.0%	1.5%
Additional Categories *	9.0%	3.6%
Real Estate	5.0%	4.4%
Private Equity	6.0%	6.7%
Cash	2.0%	0.8%

\*Includes Hedge Funds, High Yield and Non-US Developed Bonds

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 6. RETIREMENT PLANS (Continued)**

The actuarial assumptions used in the 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015 adopted by the Board on November 19, 2016.

**Discount rate** - For CERS, the single discount rate of 6.25% for the Non-Hazardous and Hazardous Systems were used to measure the total pension liability for the fiscal year ending June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments for each system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in these Systems contribute the actuarially determined contribution rate in all future years.

For KTRS, the discount rate used to measure the TPL was 4.49%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assumed that Plan member contributions will be made at the current contribution rates and the Employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2038 plan year and, as a result, the Municipal Bond Index Rate was used in the determination of the SEIR. There was a change in the Municipal Bond Index Rate from the Prior Measurement Date to the Measurement Date, so required under GASB 68, the SEIR of 4.49% at the Measurement Date was calculated using the Municipal Bond Index Rate as of the Measurement Date (3.56%). This change in the discount rate is considered a change in the actuarial assumptions or other inputs under GASB 68.

**Sensitivity of CERS and KTRS proportionate shares of net pension liability to changes in the discount rate** - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (I calculated the amounts in this schedule:

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 6. RETIREMENT PLANS (Continued)**

	1% Decrease	Current Discount Rate	1% Increase
<b>CERS</b>	5.25%	6.25%	7.25%
Board's proportionate share of net pension liability	\$ 2,490,857	\$ 1,974,964	\$ 1,543,424
<b>KTRS</b>	3.49%	4.49%	5.49%
Board's proportionate share of net pension liability	\$ -	\$ -	\$ -

**Note 7. OTHER POST EMPLOYMENT BENEFIT PLANS**

**General Information about the OPEB Plan**

**Plan description** - Teaching-certified employees of the District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) -a cost-sharing multiple -employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

**Medical Insurance Plan**

**Plan description** - In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post -employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 7. OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

**Benefits provided-** To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

**Contributions -** In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three and three quarters percent (3.75) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs** (Revised July 25, 2019)

At June 30, 2018, the District reported a liability of \$ 756,723 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the collective net OPEB was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.033741 percent. There was no proportion measured as of June 30, 2016.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the CERS net OPEB liability	\$ 756,723
State's proportionate share of the KTRS net OPEB liability associated with the District	<u>3,630,000</u>
<b>Total</b>	<b><u>\$ 4,308,310</u></b>

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 7. OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

For the year ended June 30, 20 17, the District recognized OPEB expense of \$77,296 related to CERS and \$236,000 related to KTRS. The District also recognized revenue of \$236,000 for KTRS support provided by the State.

At June 30, 20 18, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Liability Experience	\$ -	\$ 1,884
Assumption Changes	164,658	-
Investment Experience	-	36,163
Change in Proportion & Differences Between Employer Contributions & Proportionate Share of Plan Contributions	-	1,574
Totals	<u>\$ 164,658</u>	<u>\$ 39,621</u>

Of the total amount reported as deferred outflows of resources related to OPEB, resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 20 17. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

**Year ended June 30:**

2018	\$ 19,285
2019	19,285
2020	19,285
2021	19,285
2022	27,299
Thereafter	7,644

Actuarial assumption - The total OPEB liability in the June 30, 20 17 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%
Projected salary increases	3.05%, average

Inflation rate 2.30%  
**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
Notes to Financial Statements (Continued)

**NOTE 7. OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

Payroll Growth Rate	0.00% for KERS non -hazardous
Healthcare cost trend rates	
Pre-65	Initial trend starting at 7. 25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5. 10 % at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used the RP-2000 Combined Mortality Table projected with Scale BB to 2013 ( set-back for one year for females ). For disabled members, the RP -2000 Combined Disability Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

**Discount rate -** The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long -term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments determine the total OPEB liability.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 -percentage -point lower ( 4.84%) or 1 -percentage -point higher ( 6.84%) than the current rate:

	1% Decrease 4.84%	Current Discount Rate 5.84%	1% Increase 6.84%
Systems' net pension liability	\$ 863,111	\$ 673,810	\$ 524,525

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 7. OTHER POST EMPLOYMENT BENEFIT PLANS (Continued)**

Sensitivity of the District's proportionate share of the collective OPEB liability to changes in the healthcare cost trend rates - The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective OPEB liability would be if it were calculated using healthcare cost trend rates that were 1 -percentage -point lower or 1-percentage -point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Systems' net pension liability	\$ 520,298	\$ 673,810	\$ 883,715

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**NOTE 8. COMMITMENTS AND CONTINGENCIES**

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based on the grantor's review the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

The District is subject to various other legal actions in various stages of litigation, the outcome of which is not determinable at this time. Management of the District and its legal counsel do not anticipate that there will be any material effect in the basic financial statements as a result of the cases presently in progress.

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss.

The District also has outstanding commitments for construction projects.



**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 9. INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibilities, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which included Worker's compensation insurance.

**NOTE 10. INTERFUND TRANSFERS**

Interfund transfer activity for the year ended June 30, 2018, is as follows:

<u>TYPE</u>	<u>FROM FUND</u>	<u>TO FUND</u>	<u>PURPOSE</u>	<u>AMOUNT</u>
Operating	Capital Outlay	Debt Service	Bond Payment	\$ 35,015
Operating	Building	Debt Service	Bond Payment	\$195,278
Operating	Debt Service	General Fund	Excess Transfer	\$ (1,493)

**NOTE 11. DEFICIT OPERATING / FUND BALANCES**

The Food Service Fund has a deficit net position due to recording the net pension liability under GASB 68 and the net OPEB liability under GASB 75.

The following funds had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction in fund balance/net position:

School Activity Fund	\$ 693
----------------------	--------

**NOTE 12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experienced modifications and a group discount amount. Dividends may be

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Notes to Financial Statements (Continued)**

**NOTE 12. RISK MANAGEMENT (continued)**

declared, but are not payable until twenty -four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

**NOTE 13. ON-BEHALF PAYMENTS**

For the year ended June 30, 2018, total payments of \$1,778,194 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on -behalf payments and recorded in the appropriate revenue and expense accounts on the statement of activities. On behalf payments are not budgeted items.

On-behalf payments for the year ended June 30, 2018 consisted of the following:

KTRS	\$ 1,011,797
Health insurance	703,481
HRA	18,025
Technology	24,905
Debt service	11,968
Administrative fee	7,154
Life insurance	<u>864</u>
<b>Total</b>	<b><u>\$ 1,778,194</u></b>

The breakdown of on -behalf payments by fund is as follows:

General Fund	\$ 1,725,854
School Food Service	40,372
Debt Service	<u>11,968</u>
<b>Total</b>	<b><u>\$ 1,778,194</u></b>

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
From local sources:				
Taxes:				
Property	\$ 4,200,730	\$ 4,200,730	\$ 4,193,382	\$ (7,348)
Motor vehicles	240,000	240,000	245,348	5,348
Occupational	680,000	680,000	733,854	53,854
Tuition and fees	-	-	17,258	17,258
Earnings on investments	17,500	17,500	56,306	38,806
Student activities	67,225	67,225	88,163	20,938
Other local revenues	35,000	35,000	33,353	(1,647)
Intergovernmental - State	613,539	613,539	631,400	17,861
Intergovernmental - Federal	-	-	-	-
<b>TOTAL REVENUES</b>	<u>5,853,994</u>	<u>5,853,994</u>	<u>5,999,064</u>	<u>145,070</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	3,411,249	3,410,649	2,793,948	(616,701)
Support Services				
Student	133,275	133,275	130,690	(2,585)
Instructional staff	745,366	745,366	724,771	(20,595)
District administration	332,387	332,387	380,591	48,204
School administration	336,778	336,778	321,701	(15,077)
Business	651,461	651,461	546,272	(105,189)
Plant operations and maintenance	2,954,749	2,954,749	808,861	(2,145,888)
Contingency	510,708	503,487	-	(503,487)
<b>TOTAL EXPENDITURES</b>	<u>9,075,973</u>	<u>9,068,152</u>	<u>5,706,834</u>	<u>(3,361,318)</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(3,221,979)</u>	<u>(3,214,158)</u>	<u>292,230</u>	<u>3,506,388</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	1,493	1,493
Operating transfers out	(32,000)	(32,000)	-	32,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(32,000)</u>	<u>(32,000)</u>	<u>1,493</u>	<u>33,493</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>(3,253,979)</u>	<u>(3,246,158)</u>	<u>293,723</u>	<u>3,539,881</u>
<b>FUND BALANCE JULY 1, 2017</b>	<u>3,253,979</u>	<u>3,246,158</u>	<u>3,246,158</u>	<u>-</u>
<b>FUND BALANCE JUNE 30, 2018</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,539,881</u>	<u>\$ 3,539,881</u>

**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES  
AND EXPENDITURES**

Both inflows and outflows are equally different in the Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds by the amount of on-behalf payments totaling \$1,725,854.

# ANCHORAGE INDEPENDENT SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balance

### Budget and Actual

#### Special Revenue Fund

For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
REVENUES				
From local sources:				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Motor vehicles	-	-	-	-
Utilities	-	-	-	-
Other	-	-	-	-
Tuition and fees	-	-	-	-
Earnings on investments	-	-	253	253
Student activities	-	-	116	116
Community service activities	-	-	-	-
Other local revenues	52,174	49,000	53,875	4,875
Intergovernmental - State	75,248	86,856	63,448	(23,408)
Intergovernmental - Indirect Federal	113,646	116,549	112,926	(3,623)
Intergovernmental - Federal	-	-	-	-
TOTAL REVENUES	<u>241,068</u>	<u>252,405</u>	<u>230,618</u>	<u>(21,787)</u>
EXPENDITURES				
Current:				
Instruction	228,931	240,817	222,517	(18,300)
Support Services				
Student	-	-	-	-
Instructional staff	12,137	11,588	8,101	(3,487)
District administration	-	-	-	-
School administration	-	-	-	-
Business	-	-	-	-
Plant operations and maintenance	-	-	-	-
Facilities acquisition and construction	-	-	-	-
Debt service	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>241,068</u>	<u>252,405</u>	<u>230,618</u>	<u>(21,787)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JULY 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE JUNE 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2018

KTRS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	*	*	*	*	*	*
Commonwealth's proportionate share of the net pension liability	<u>\$ 28,477,858</u>	<u>\$ 31,668,071</u>	<u>\$ 26,218,184</u>	<u>\$ 22,706,135</u>	*	*	*	*	*	*
Total	<u>\$ 28,477,858</u>	<u>\$ 31,668,071</u>	<u>\$ 26,218,184</u>	<u>\$ 22,706,135</u>						
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	*	*	*	*	*	*	*

CERS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability	0.03374%	0.03176%	0.03241%	0.034942%	*	*	*	*	*	*
District's proportionate share of the net pension liability	\$ 1,974,964	\$ 1,563,641	\$ 1,393,503	\$ 1,134,000	*	*	*	*	*	*
District's covered employee payroll	\$ 829,376	\$ 851,504	\$ 758,340	\$ 756,185	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered payroll	238.13%	183.63%	183.76%	149.96%	*	*	*	*	*	*

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, fiscal year 2015 was the first year of implementation. Until a full 10-year trend is compiled, the District will report available information.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF DISTRICT CONTRIBUTIONS

LAST 10 YEARS

KTRS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 1,011,797	\$ 521,071	\$ 542,227	\$ 535,076	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>1,011,797</u>	<u>521,071</u>	<u>542,227</u>	<u>535,076</u>	*	*	*	*	*	*
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
District's covered employee payroll	\$ 3,335,046	\$ 3,203,034	\$ 3,220,343	\$ 3,318,570	*	*	*	*	*	*
Contributions as a percentage of covered. employee payroll	30.3383%	16.2680%	16.8376%	16.1237%	*	*	*	*	*	*

CERS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 327,486	\$ 179,782	\$ 130,775	\$ 151,425	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>179,782</u>	<u>179,782</u>	<u>130,775</u>	<u>151,425</u>	*	*	*	*	*	*
Contribution excess (deficiency)	<u>\$ 147,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>						
District's covered employee payroll	\$ 829,376	\$ 821,504	\$ 758,340	\$ 756,185	*	*	*	*	*	*
Contributions as a percentage of covered. employee payroll	39.4858%	21.8845%	17.2449%	20.0249%	*	*	*	*	*	*

\* The above schedules are presented to illustrate the requirement to show information for 10 years. However, fiscal year 2015 was the first year of implementation. Until a full 10-year trend is compiled, the District will report available information.

ANCHORAGE INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
- MEDICAL INSURANCE PLAN

LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net OPEB liability (asset)	0.33741%	*	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability (asset)	\$ 756,723	*	*	*	*	*	*	*	*	*
Commonwealth's proportionate share of the collective net OPEB liability associated with the District	<u>3,630,000</u>	*	*	*	*	*	*	*	*	*
Total	<u>\$ 4,386,723</u>									
District's covered employee payroll	\$ 3,728,469	*	*	*	*	*	*	*	*	*
District's proportionate share of the collective net OPEB liability (asset) as a percentage of its covered-employee payroll	117.65%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability.										

\* The amounts presented for each fiscal year were determined as of June 30.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.
---

Revised July 25, 2019



ANCHORAGE INDEPENDENT SCHOOL DISTRICT

SCHEDULES OF DISTRICT CONTRIBUTIONS  
- MEDICAL INSURANCE PLAN

LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 38,857	*	*	*	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	<u>38,857</u>	*	*	*	*	*	*	*	*	*
Contribution excess (deficiency)	<u>\$ -</u>									
District's covered employee payroll	\$ 3,728,469	*	*	*	*	*	*	*	*	*
Contributions as a percentage of covered. employee payroll	1.0422%	*	*	*	*	*	*	*	*	*

* Schedule above is intended to show information for 10 years. Additional years will be displayed as they become available.
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Revised July 25, 2019

## **ANCHORAGE INDEPENDENT SCHOOL DISTRICT**

### **Notes to Required Supplementary Information**

#### **NOTE A: PENSION PLANS**

##### **Change of benefit terms:**

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

**2009:** A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- 1. Tiered Structure for benefit accrual rates**
- 2. New retirement eligibility requirements**
- 3. Different rules for the computation of final average compensation**

**2014:** A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

##### **Change of assumptions:**

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

#### **2015**

- λ The assumed investment rate of return was decreased from 7.75 % to 7.50%**
- λ The assumed rate of inflation was reduced from 3.50% to 3.25%**
- λ The assumed rate of wage inflation was reduced from 1.00% to 0.75%**
- λ Payroll growth assumption was reduced from 4.50% to 4.00%**
- λ The mortality table used for active members is RP -2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50 % for males and 30% for females).**
- λ For healthy retired members and beneficiaries, the mortality table used is the RP -2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP -2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.**
- λ The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.**

## ANCHORAGE INDEPENDENT SCHOOL DISTRICT

### Notes to Required Supplementary Information (Continued)

#### NOTE B. OTHER POST EMPLOYMENT BENEFIT PLANS

Changes of benefit terms -With the passage of House Bill 471, the eligibility for non -single subsidies (NSS) for the KEHP -participating members who retired prior to July 1, 2010 is restored, but the state will only finance, via KEHP "Shared Responsibility" contributions, the costs of the NSS related to those KEHP -participating members who retired on or after July 1, 2010.

Methods and assumptions used in the actuarially determined contributions -The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary increases, including wage inflation	4.00%, average

#### Life Insurance Plan

Plan description -Life Insurance Plan - TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost -sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

Benefits provided -TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

Contributions -In order to fund the post -retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**

**Notes to Required Supplementary Information (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At June 30, 2017, the District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of net OPEB liability	\$ - 0 -
State's proportionate share of net OPEB	
Liability associated with the District	<u>22,000</u>
Total	<u>\$ 22,000</u>

For the year ended June 30, 2017, the District recognized OPEB expense of \$ 3,000 and revenue of \$ 3,000 for support provided by the State.

OPEB plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**SUPPLEMENTARY**  
**INFORMATION**

# ANCHORAGE INDEPENDENT SCHOOL DISTRICT

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2018

	SEEK CAPITAL OUTLAY <u>FUND</u>	FSPK <u>FUND</u>	DEBT SERVICE <u>FUNDS</u>	TOTAL NONMAJOR GOVERNMENTAL <u>FUNDS</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Accounts receivable				
Taxes - current	-	-	-	-
Due from other funds	-	-	-	-
<b>TOTAL ASSETS AND RESOURCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related expenses	-	-	-	-
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Unreserved	-	-	-	-
Designated	-	-	-	-
Capital Projects				
Debt Retirement	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
Combining Statement of Revenues, Expenditures  
And Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2018

	SEEK CAPITAL OUTLAY <u>FUND</u>	FSPK <u>FUND</u>	DEBT SERVICE <u>FUNDS</u>	TOTAL NONMAJOR GOVERNMENTAL <u>FUNDS</u>
<b>REVENUES</b>				
From local sources:				
Taxes:				
Property	\$ -	\$ 195,278	\$ -	\$ 195,278
Motor vehicle	-	-	-	-
Occupational	-	-	-	-
Earnings on investments	-	-	-	-
Intergovernmental - State	35,015	-	-	35,015
Intergovernmental - Indirect Federal	-	-	-	-
<b>TOTAL REVENUES</b>	<u>35,015</u>	<u>195,278</u>	<u>-</u>	<u>230,293</u>
<b>EXPENDITURES</b>				
Current:				
Debt service	-	-	228,800	228,800
Facilities acquisition and construction	-	-	-	-
Debt issuance costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>228,800</u>	<u>228,800</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>35,015</u>	<u>195,278</u>	<u>(228,800)</u>	<u>1,493</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	-	228,800	228,800
Operating transfers out	(35,015)	(195,278)	-	(230,293)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(35,015)</u>	<u>(195,278)</u>	<u>228,800</u>	<u>(1,493)</u>
<b>EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	-	-	-	-
<b>FUND BALANCE, JULY 1, 2017</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30, 2018</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Assets, Receipts, Disbursements, and Liabilities**  
**School Activity Fund**  
**For the Year Ended June 30, 2018**

	<u>Anchorage Elementary</u>
CASH BALANCE - JULY 1, 2017	\$ 60,847
RECEIPTS	
School activities and projects	\$ 104,021
Athletic activities	<u>38,631</u>
TOTAL RECEIPTS	<u>142,652</u>
DISBURSEMENTS	
School activities and projects	105,742
Athletic activities	<u>37,603</u>
TOTAL DISBURSEMENTS	<u>143,345</u>
CASH BALANCE - JUNE 30, 2018	60,154
Accounts Receivable - June 30, 2018	-
Accounts Payable - June 30, 2018	<u>-</u>
DUE TO STUDENT GROUPS - JUNE 30, 2018	<u>\$ 60,154</u>

See independent auditors' report.





Chestnut Centre  
410 West Chestnut Street STE. 237  
Louisville, KY 40202-2342

(502) 583-5381  
(800) 456-7531  
FAX (502) 582-2516

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

State Committee for School District Audits  
Members of the Board of Education of  
Anchorage Independent School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Requirements* and *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Anchorage Independent School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose or expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Anchorage Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Anchorage Independent School District's internal control.

State Committee for School Districts  
Members of the Board of Education of  
Anchorage Independent School District

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we reported to management of the District in a separate letter dated October 30, 2018.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anchorage Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulations identified in *Appendix II of the Independent Auditor's Contract – State Requirements*.

State Committee for School District Audits  
Members of the Board of Education of  
Anchorage Independent School District

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Amick & Company*

Louisville, Kentucky  
October 30, 2018

**MANAGEMENT**

**LETTER**

**POINTS**



Chestnut Centre  
410 West Chestnut Street STE. 237  
Louisville, KY 40202-2342

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FAX (502) 582-2516

State Committee for School District Audits  
Members of the Board of Education of  
Anchorage Independent School District

In planning and performing our audit of the financial statements of Anchorage Independent School District for the year ended June 30, 2018, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The memorandum that accompanies this letter summarizes our comments and suggestions regarding internal controls and operating efficiency. A separate report dated October 30, 2018 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 30, 2018 on the financial statements of the Anchorage Independent School District.

This report is intended solely for the information and use of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Anchorage Independent School District.

*Amick & Company*

Louisville, Kentucky  
October 30, 2018

ANCHORAGE INDEPENDENT SCHOOL DISTRICT  
Management Letter Comments  
For the Year Ended June 30, 2018

COMMENT 2018-1

OLD OUTSTANDING CHECKS

*Condition*

During our cash audit procedures, we noted that the outstanding checklist for the operating account at June 30, 2018, contained some checks that were over one year old. Several of these checks were made payable to employees of the District.

*Criteria*

The District does not have a formal, clearly defined policy for disposition of uncashed checks. This causes additional time to be spent by personnel to reconcile the bank accounts each month.

*Recommendation*

We recommend that checks and other uncleared reconciling items that are over one year old be investigated and removed from the bank reconciliation .

*Management's Response*

Management has instituted action to determine the disposition of these checks. Management will review their policies concerning uncashed checks and understands the importance of ensuring that cash accounts are accurate.

**ANCHORAGE INDEPENDENT SCHOOL DISTRICT  
Management Letter Comments  
Schedule of Prior Audit Findings**

**Finding 2017-01**

**Status: Corrected**